

With continuing declines in tax revenues, the state has been forced to make substantial budget cuts in many state and local programs including public higher education. The combination of budget cuts, reduced educational services, steep increases in student fees and the other costs of attending college are increasingly jeopardizing access and completion for students and families even higher up the household income spectrum.

Over the short term, policymakers have few options other than to make difficult choices of how to balance diminishing public resources with pressing public service needs. Over the long term, state officials and higher education leaders must jointly plan the future financing for public higher education. For California's future economy and overall well-being, our leaders should strive to maintain, to the greatest extent possible, the primary role of state funding for public postsecondary education.

Background

In July, the Governor and Legislature approved a revised \$85 billion 2009–10 state budget, \$7 billion lower than they had approved in February. The July action made cuts to the closing 2008–09 fiscal year and assumed that California would receive \$8 billion over these two fiscal years in federal stimulus funds from the American Recovery and Reinvestment Act.

The final budget reduced General Fund spending by \$1 billion for the University of California and \$812 million for California State University. Cuts to the California Community Colleges include \$812 million in Proposition 98 funding, using a combination of temporary and permanent cuts and deferrals of anticipated spending. The budget assumed hundreds of millions of dollars in additional student fee revenues. Student fees will have increased 45% from fall 2008 to fall 2010 at UC and 32% at CSU. Community college fees were increased from \$20 per unit to \$26 per unit.

Budget Challenges

Over the last 18 months, state policymakers have closed budget gaps of more than \$60 billion, but the Department of Finance estimates that over the next 18 months, California faces a \$21 billion budget deficit. The Governor and Legislature have used a combination of short-term and ongoing strategies to address this shortfall, including one-time cash infusions such as federal stimulus funds, public employee layoffs and furloughs, expenditure deferrals, temporary tax increases, accelerated tax collections, realignments of state and local programs, and permanent reductions in public programs. Many of these budget-balancing options are no longer available for dealing with the current shortfall, and some of the temporary fixes will expire at the end of the 2010–11 fiscal year.

Recent Developments

Both UC and CSU have raised fees more than 30%. Together, UC and CSU expect to collect more than \$3.5 billion in student fee revenues in fiscal year 2009–10, with the likelihood of more fee increases in fiscal year 2010–11. Both systems commit one-third of student fee revenues to providing financial aid and attempt to hold financially needy students harmless for the fee increases.

State finances have continued to deteriorate since the summer months. Its November 2009 *Finance Bulletin* reported on the condition of the State General Fund: For October, actual revenues for fiscal year 2009–10 are \$596 million below expected totals. For 2008–09, state revenues were \$496 million below expectations, even after revenue projections were revised substantially downward. The Legislative Analyst's Office's recent publication, *California's Fiscal Outlook: The 2010–11 Budget*, affirms the current deficit estimate and projects deficits ranging from \$15 billion to \$23 billion for each of the next five fiscal years.

Even the current budget deficit estimates presume several positive actions. For instance, the estimates count on the state being successful in several court cases that challenge budget decisions adopted by the Governor and Legislature as part of the 2009–10 budget package. These cases include challenges to mandatory employee furloughs, the shift of local redevelopment funds, funding and service reductions to some health and social service programs, and the ongoing litigation over California's prison system. Should the state not prevail in some of these lawsuits, additional billions of dollars in budget deficits will likely result.

Impact on Students

UC and CSU are reducing enrollments in light of the continuing budget cuts. Both systems reduced freshman admissions in fall 2009 and CSU has cancelled almost all spring 2010 admissions. Community college students whose transfer guarantees would begin in the spring semester are unable to enroll because of the enrollment freezes. CSU announced plans to reduce enrollments by 40,000 between 2009 and 2011. UC plans to hold enrollments to fall 2009 levels for the foreseeable future.

The community colleges have tried to maintain their open access commitment but have been forced to reduce course offerings, with some campuses putting caps on how many units a student can take in a semester. The Governor's signing of AB 187 (Chapter 644, Statutes of 2009) restored \$4.3 million to the California Student Aid Commission, providing the resources necessary to operate state-run financial aid programs such as Cal Grants.

Affordability More of an Issue

The combination of federal, state, and institutional student financial aid provides access to needy Californians seeking to enroll in public and independent postsecondary institutions. Financial aid officers combine these sources of financial aid with the family's expected contributions as an aid package. Typically, aid packages generally increase to cover fee increases. The state's continuing economic problems have increased the stress of families at most income levels to cover college costs due to increases in living costs and declines in personal income.

In addition to fees, the costs of college include books and supplies, food, personal expenses, housing, and transportation. The average cost of attendance in 2009–10 at CSU for a student living on campus is estimated to be \$20,105, which includes \$4,913 in fees, \$1,624 for books and educational supplies and \$13,569 for food, housing, transportation, and other personal expenses.

Costs at UC for 2009–10 are estimated to be \$27,302, which includes \$9,896 for fees, \$1,518 for books and educational supplies, and \$16,250 for food, health insurance, housing, transportation, and other personal expenses. Holding the 2009–10 figure constant, a UC student who lives on campus and completes a degree in four years would incur costs over \$100,000. UC fees are set to increase by another 15% in fall 2010, and any further increases in coming years could push the estimated annual costs for on-campus students over the \$30,000 mark for the first time.

Looking Ahead

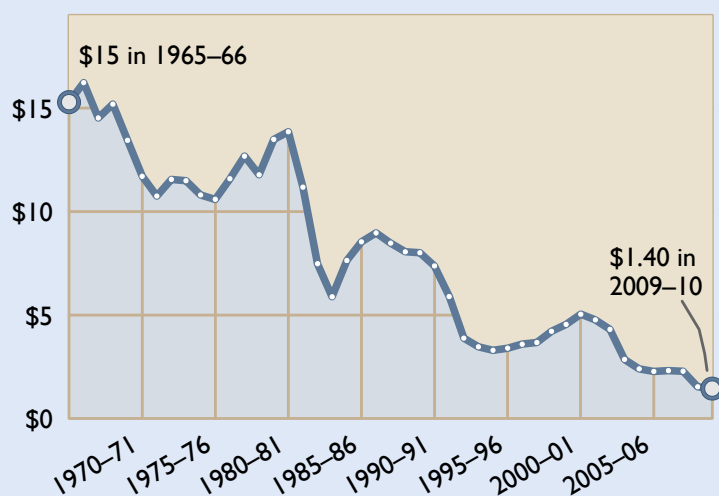
California faces many challenges as it enters the next decade. In addition to the depleted fiscal resources, the third year of drought is compounding pressures to resolve long-term water supply problems. State and local programs from public safety to health services are approaching decisions as to what level of services can be sustained.

In response, leaders in both the public and private sectors are engaged in many different forums to address these issues. Special joint legislative committees and Governor's task forces have formed to make recommendations on water policy, state revenue structures, competing for federal "Race to the Top" education funding, and other areas. One such governmental forum is the Legislature's review of the Master Plan for Higher Education, which reaches its 50th anniversary in 2010. This review should provide California with a renewed commitment to its postsecondary enterprise, even through the difficult budgetary climate.

Declining state support for UC and CSU has shifted the burden of educational costs to students and their families

In fiscal year 1965–66 the state General Fund provided \$15 for every dollar that students paid in fees. By 2009–10, this had declined to \$1.40 for every dollar that students paid in fees.

Dollars in General Fund support for each dollar of student fee revenues



Revenues and fees, 2008–09 and 2009–10

	UC	CSU	Community Colleges
State General Funds			
2008–09	\$2.244 billion	\$2.099 billion	\$3.918 billion
2009–10	\$2.449 billion	\$2.275 billion	\$3.722 billion
Student fee revenue			
2008–09	\$1.735 billion	\$1.251 billion	\$299 million
2009–10	\$2.003 billion	\$1.540 billion	\$346 million
Average fees for full-time students			
2008–09	\$7,126	\$3,048	\$600
2009–10	\$8,958	\$4,026	\$780

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Information for this report was obtained from the Department of Finance, Legislative Analyst's Office, Community Colleges Chancellor's Office, CSU Chancellor's Office, and UC Office of the President.